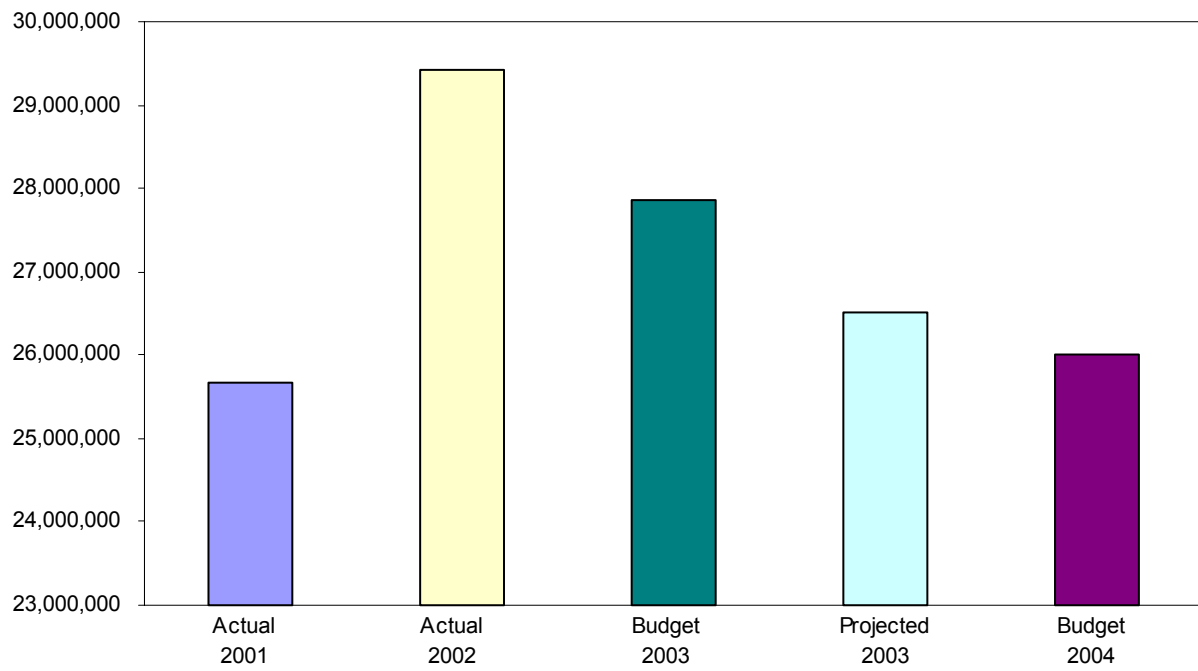


Debt Service Fund

The Debt Service Fund was established to account for all principal and interest payments on the County's long-term debt. This fund is accounted for using the modified accrual method of accounting. The long-term debt is composed of Hamilton County General Obligation Bonds, Department of Education Debt, Certificates and Notes Payable.

Debt Service



Debt Service Fund Budget Summary
Schedule of Revenue and Expenditures

	Actual 2001	Actual 2002	Amended Budget 2003	Projected 2003	Adopted Budget 2004
<u>Revenues</u>					
Taxes	159,157	44,891	59,000	35,220	34,000
Intergovernmental	1,648,311	1,458,948	998,255	913,669	969,457
Charges for Services	347,472	512,295	350,000	388,600	381,000
Investment Earnings	109,051	36,592	-	7,245	7,500
Refund of Prior Year's Expense				14,622	
Transfers from other funds	23,382,930	26,322,754	26,204,875	24,720,127	24,419,523
Transfer from component units	200,000	-	200,000	200,000	200,000
Total Revenues	25,846,921	28,375,480	27,812,130	26,279,483	26,011,480
<u>Expenditures</u>					
Trustee Commission	30,191	21,616	10,000	15,197	22,000
Retirement of Principal	16,236,486	19,203,489	17,564,890	17,002,005	17,861,690
Retirement of Notes	1,017,200	1,066,100	1,116,500	1,116,500	1,169,700
Bond Service Charge	18,175	17,257	18,000	18,240	18,000
Interest	8,363,665	8,686,496	8,111,653	7,489,768	6,635,090
Administrative Expense	10,420	19,475	746,087	23,545	20,000
Payment to City	-	410,790	-	562,884	-
Interfund Transfer	-	-	285,000	285,000	285,000
Total Expenditures	25,676,137	29,425,223	27,852,130	26,513,139	26,011,480
Excess of Revenues Over (Under) Expenditures	170,784	(1,049,743)	(40,000)	(233,656)	-
Excess of non budgeted revenues over non budgeted expenditures	(4,238)	9,817	-	(392,430)	-
Restate beginning fund balance for GASB 33	1,120,663	-	-	-	-
Beginning Fund Balance	1,437,740	2,724,949	1,685,023	1,685,023	1,058,937
Fund Balance at end of year	2,724,949	1,685,023	1,645,023	1,058,937	1,058,937

It should be noted that in Fiscal Year 1998-99 the Debt Service Tax Levy was moved into the General Fund to better comply with Federal Arbitrage regulations.

Debt Service Fund – 012

FUNCTION

The Debt Service Fund is used for the accumulation of resources for, and the payment of, principal and interest on general long-term debt.

PROGRAM COMMENTS

General Obligation Bonds - Hamilton County periodically issues general obligation bonds for the acquisition and construction of major capital facilities. These bonds are direct obligations and are backed by the full faith and credit of the County. These bonds are generally issued as 15 to 20 year serial bonds with the 15 year term being prevalent for the last few years. General obligation bonds are summarized by issue as follows: (See detail schedules)

Principal Amount			
Interest			
Series	Rates	Obligation	School
1994	5.20-5.30%	1,546,667	3,333,332
1195	6.00%	265,000	
1996	4.80-5.10%	4,111,025	3,093,975
1997	5.00-5.125%	1,396,853	30,393,147
1998A	4.50-5.00%	11,722,105	2,197,896
1998B	4.25-5.10%	5,990,000	
2000	5.00-5.30%	7,803,679	38,151,321
2002	4.00%	7,261,250	21,783,750
		40,096,579	98,963,421

The County's annual debt service requirements to maturity for general obligations bonds are as follows:

Year Ended	Annual Redemption	Annual Interest	
June 30	General & School	General & School	Total
2004	17,030,000.00	6,325,090	23,355,090
2005	16,425,000.00	5,526,343	21,951,343
2006	15,665,000.00	4,770,265	20,435,265
2007	15,575,000.00	4,054,196	19,629,196
2007-2025	74,375,000.00	14,832,934	89,207,934
	139,070,000.00	35,508,828	174,578,828

Notes Payable – The County entered into a Loan Agreement (the "Agreement") with the Public Building Authority of the County of Montgomery, Tennessee (the "Authority") on February 2, 1996. This Agreement reserves funds for the County in the amount of \$9,500,000 (the "Loan") from the proceeds of the Authority's Adjustable Rate Pooled Financing Revenue Bonds (Tennessee County Loan Pool), Series 1995. The County is obligated under the Agreement to repay the Loan in installments consisting of (i) principal repayments payable annually for a 15 year term in certain amounts and on certain dates as specified in the Agreement, and (ii) interest and certain expenses calculated and billed at the rate or rates and on the date or dates specified in the Agreement. The Loan is a direct general obligation of the County and as such, the full faith, credit, and taxing power of the County are irrevocably pledged for its payment. As of June 30, 2001, the County has withdrawn \$9,500,000 of the Funds reserved. The County makes monthly withdrawals from the Authority to fund certain public works projects and the incidental and necessary expenses related thereto. At June 30, 2003, the balance due per the Agreement was \$5,995,200.

Debt Service Fund (continued)

PROGRAM COMMENTS – Continued

Notes Payable – The County entered into a Loan Agreement (the “Agreement”) with the Public Building Authority of the County of Montgomery, Tennessee (the “Authority”) on November 17, 1999. This Agreement reserves funds for the County in the amount of \$9,000,000 (the “Loan”) from the proceeds of the Authority’s Adjustable Rate Pooled Financing Revenue Bonds (Tennessee County Loan Pool), Series 1997. The County is obligated under the Agreement to repay the Loan in installments consisting of (i) principal repayments payable annually for a 14 year term in certain amounts and on certain dates as specified in the Agreement, and (ii) interest and certain expenses calculated and billed at the rate or rates and on the date or dates specified in the Agreement. The Loan is a direct general obligation of the County and as such, the full faith, credit, and taxing power of the County are irrevocably pledged for its payment. As of June 30, 2001, the County has withdrawn \$9,000,000 of the Funds reserved. The County makes monthly withdrawals from the Authority to fund certain public works projects and the incidental and necessary expenses related thereto. At June 30, 2003, the balance due per the Agreement was \$7,464,000.

Carter Street Corporation Joint Venture – The Carter Street Corporation is a nonprofit corporation that was organized by Hamilton County and the City of Chattanooga. The Corporation serves as the coordinating body for the development, operation and management of the Chattanooga/Hamilton County Convention and Trade Center and parking garage and is lessor of the adjoining hotel. In 1994, the Industrial Development Board of Hamilton County, Tennessee issued additional Lease Rental Revenue Bonds to provide for the partial refunding of Series 1986 Lease Rental Revenue Bonds and to provide funds for other needs of the Carter Street Corporation. At June 30, 2001, the total bond indebtedness of the Corporation was \$11,015,000. While the bonds do not constitute an indebtedness of the County or City, under the lease the County and City are unconditionally obligated to make the rental payments. Upon the repayment of the bonds, the County and the City will have an equity interest in the corporation. Hamilton County’s future minimum lease obligations under the current lease agreement at June 30, 2003 are \$2,946,767.

Finley Stadium Project – In February 1996, Hamilton County entered into an agreement with the City of Chattanooga to provide equal funding for the development of the Stadium Project and other project-related purposes. The City of Chattanooga issued \$13,000,000 of 20-year serial bonds at interest rates ranging from 4.5% to 5.7%. Hamilton County agreed to repay the City of Chattanooga for 50% of the principal and interest payments due on the bonds. Hamilton County’s obligation under the terms of the agreement at June 30, 2003 is \$7,046,099.

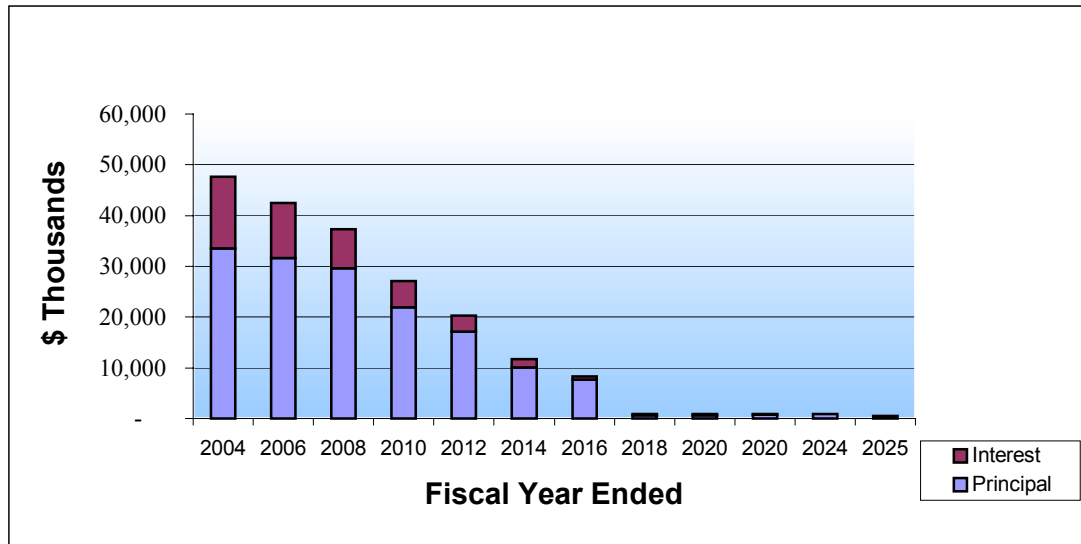
Debt Paid through Hotel-Motel Occupancy Tax Collections – Hamilton County has pledged future proceeds from its Hotel-Motel occupancy tax to repay the principal and interest on bonds issued by the City of Chattanooga for the Memorial Auditorium (\$2,500,000) and the Bessie Smith Hall (\$500,000) and bonds issued by the City of East Ridge for the Camp Jordan Park (\$1,000,000). The County’s remaining obligations under the agreements at June 30, 2003 are \$1,581,242.

Lease Obligation for Purchase of Election Commission Equipment – Hamilton County entered into a 20-year lease arrangement with the State of Tennessee in 1983 to purchase equipment for the Election Commission. The lease carries interest at 6% per year and provides for annual payments of \$5,800 through June 30, 2003.

Contract with CCA - In 1998, Hamilton County amended its contract with Corrections Corporation of America (CCA) for the management of the Silverdale Correctional Facility (Hamilton County Penal Farm). Among other items, the contract amendment authorized CCA to construct an expansion to the Silverdale Correctional Facility at a cost not to exceed \$4,000,000. The County agreed to repay the cost of the expansion over a 15-year period. The County’s remaining obligations under this agreement as of June 2003 are \$2,754,221.

County’s General Obligation Bonds, Series 1987 and Series 1991 – The City of Chattanooga agreed to reimburse Hamilton County for a portion of the debt service requirements on the County’s General Obligation Bonds, Series 1987 (to construct the City County Courts Building) and the County’s General Obligation Bonds, Series 1991 (to construct the public parking facility for the City County Courts Building). Future reimbursements by the City of Chattanooga for debt service on the bonds at June 30, 2003 are \$274,502.

Total Debt Service Requirements



Hamilton County's debt retirement schedule is very aggressive, based on 15-year level principal repayment.

Section 5-10-501 to 5-10-509, inclusive, of the laws of the State of Tennessee provide that bonds may be issued without regard to any limit or indebtedness for Tennessee Counties.

HAMILTON COUNTY, TENNESSEE
DEBT SERVICE FUND
REQUIREMENTS FOR FUTURE YEARS
AS OF JUNE 30, 2003

FISCAL YEAR ENDED	BALANCE AT BEGINNING OF FISCAL YEAR	ANNUAL REDEMPTION	ANNUAL INTEREST REQUIREMENTS	TOTAL ANNUAL REQUIREMENTS
06/30/2004	\$ 139,070,000	\$ 17,030,000	\$ 6,325,090	\$ 23,355,090
06/30/2005	122,040,000	16,425,000	5,526,343	21,951,343
06/30/2006	105,615,000	15,665,000	4,770,265	20,435,265
06/30/2007	89,950,000	15,575,000	4,054,196	19,629,196
06/30/2008	74,375,000	14,215,000	3,373,447	17,588,447
06/30/2009	60,160,000	10,965,000	2,791,947	13,756,947
06/30/2010	49,195,000	10,935,000	2,275,471	13,210,471
06/30/2011	38,260,000	8,555,000	1,801,627	10,356,627
06/30/2012	29,705,000	8,565,000	1,373,697	9,938,697
06/30/2013	21,140,000	5,050,000	943,640	5,993,640
06/30/2014	16,090,000	5,065,000	691,870	5,756,870
06/30/2015	11,025,000	3,810,000	469,995	4,279,995
06/30/2016	7,215,000	3,825,000	273,817	4,098,817
06/30/2017	3,390,000	305,000	165,113	470,113
06/30/2018	3,085,000	320,000	149,175	469,175
06/30/2019	2,765,000	335,000	132,473	467,473
06/30/2020	2,430,000	355,000	114,878	469,878
06/30/2021	2,075,000	370,000	96,390	466,390
06/30/2022	1,705,000	395,000	76,883	471,883
06/30/2023	1,310,000	415,000	56,228	471,228
06/30/2024	895,000	435,000	34,553	469,553
06/30/2025	460,000	460,000	11,730	471,730
TOTALS		<u>\$139,070,000</u>	<u>\$35,508,825</u>	<u>\$174,578,825</u>

HAMILTON COUNTY, TENNESSEE
DEBT SERVICE FUND
SCHEDULE OF INTEREST REQUIREMENTS FOR
FISCAL YEAR ENDED JUNE 30, 2004

BOND REDEMPTION	DATE OF ISSUE	INTEREST RATE	OUTSTANDING JUNE 30, 2003	INTEREST PAYABLE
General Improvement	6-1-94	5.20	\$ 773,334	\$ 20,106
General Improvement	6-1-94	5.30	773,333	40,987
General Improvement	1-15-95	6.00	265,000	15,900
General Improvement	5-1-96	4.80	1,479,400	35,506
General Improvement	5-1-96	4.90	1,155,070	56,598
General Improvement	5-1-96	5.00	745,390	37,269
General Improvement	5-1-96	5.10	731,165	37,289
General Improvement	5-1-97	5.00	931,528	46,576
General Improvement	5-1-97	5.125	465,325	23,848
General Improvement	3-1-98-A	4.50	6,395,790	263,747
General Improvement	3-1-98-A	4.55	1,065,263	48,469
General Improvement	3-1-98-A	4.65	1,065,263	49,535
General Improvement	3-1-98-A	4.75	1,065,263	50,600
General Improvement	3-1-98-A	4.85	1,065,263	51,665
General Improvement	3-1-98-A	5.00	1,065,263	53,263
General Improvement	3-1-98-B	4.25	60,000	1,913
General Improvement	3-1-98-B	4.30	180,000	7,740
General Improvement	3-1-98-B	4.375	190,000	8,313
General Improvement	3-1-98-B	4.40	200,000	8,800
General Improvement	3-1-98-B	4.50	210,000	9,450
General Improvement	3-1-98-B	4.60	220,000	10,120
General Improvement	3-1-98-B	4.65	225,000	10,463
General Improvement	3-1-98-B	4.75	235,000	11,163
General Improvement	3-1-98-B	4.875	250,000	12,188
General Improvement	3-1-98-B	5.00	830,000	41,500
General Improvement	3-1-98-B	5.10	3,390,000	172,890
General Improvement	11-1-00	5.00	7,203,396	345,163
General Improvement	11-1-00	5.30	600,283	31,815
General Improvement	10-15-02	4.00	7,261,250	273,000
TOTAL GENERAL IMPROVEMENT BONDS			<u>\$ 40,096,579</u>	<u>\$ 1,775,876</u>

DEBT SERVICE FUND
SCHEDULE OF INTEREST REQUIREMENTS FOR
FISCAL YEAR ENDED JUNE 30, 2004

BOND REDEMPTION	DATE OF ISSUE	INTEREST RATE	OUTSTANDING JUNE 30,2003	INTEREST PAYABLE
School Series	6-1-94	5.20	\$ 1,666,666	\$ 43,333
School Series	6-1-94	5.30	1,666,666	88,333
School Series	5-1-96	4.80	1,120,600	26,894
School Series	5-1-96	4.90	874,930	42,872
School Series	5-1-96	5.00	564,610	28,230
School Series	5-1-96	5.10	553,835	28,246
School Series	5-1-97	5.00	20,268,472	1,013,424
School Series	5-1-97	5.125	10,124,675	518,889
School Series	3-1-98-A	4.50	1,199,211	49,453
School Series	3-1-98-A	4.55	199,737	9,088
School Series	3-1-98-A	4.65	199,737	9,288
School Series	3-1-98-A	4.75	199,737	9,488
School Series	3-1-98-A	4.85	199,737	9,687
School Series	3-1-98-A	5.00	199,737	9,987
School Series	11-1-00	5.00	35,216,604	1,687,462
School Series	11-1-00	5.30	2,934,717	155,540
School Series	10-15-02	4.00	21,783,750	819,000
TOTAL SCHOOL BONDS			98,973,421	4,549,214
TOTAL BONDS			\$ 139,070,000	\$ 6,325,090

HAMILTON COUNTY, TENNESSEE
SUMMARY OF DEBT SERVICE AND OTHER OBLIGATIONS
AS OF JUNE 30, 2003

Payments Due in Fiscal Year 2004

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Bonded debt	\$ 17,030,000	\$ 6,325,090	\$ 23,355,090
1996 Loan Agreement	616,700	*	616,700
1999 Loan Agreement	553,000	*	553,000
Carter Street Corporation Joint Venture	640,833	96,750	737,583
Finley Stadium Project	342,500	221,453	563,953
Hotel Motel Occupancy Tax debt			
City of Chattanooga	170,000	61,030	231,030
City of East Ridge	65,000	29,632	94,632
Silverdale Correctional Facility	267,736	-	267,736
Total payments due in fiscal year 2004	<u>\$ 19,685,769</u>	<u>\$ 6,733,955</u>	<u>26,419,724</u>
Less: reimbursements by Chattanooga			<u>(74,457)</u>
Net debt service and other obligations			<u>\$ 26,345,267</u>

Total Debt Obligations at June 30, 2003

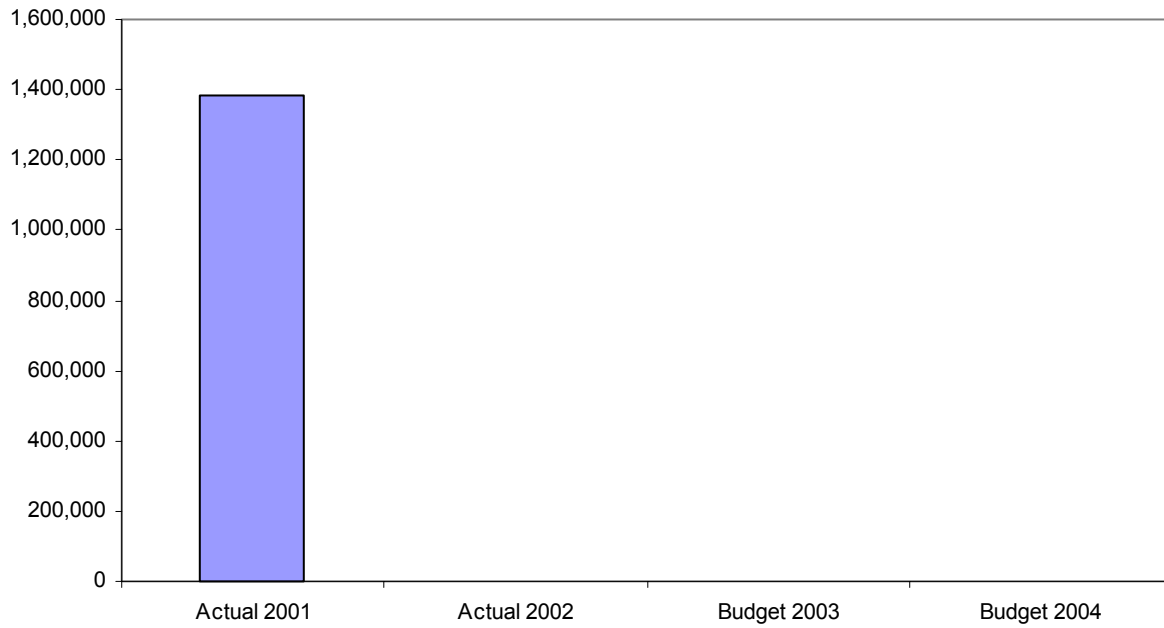
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Final Payment</u>
Bonded debt	\$ 139,070,000	\$ 35,508,825	\$ 174,578,825	2025
1996 Loan Agreement	5,995,200	*	5,995,200	2011
1999 Loan Agreement	7,464,000	*	7,464,000	2014
Carter Street Corporation Joint Venture	2,031,667	177,378	2,209,045	2006
Finley Stadium Project	4,892,500	1,590,715	6,483,215	2016
Hotel Motel Occupancy Tax debt				
City of Chattanooga	850,000	183,430	1,033,430	2008
City of East Ridge	445,000	102,812	547,812	2009
Silverdale Correctional Facility	2,754,221	-	2,754,221	2014
Total debt obligations outstanding	<u>\$ 163,502,588</u>	<u>\$ 37,563,160</u>	<u>201,065,748</u>	
Less: reimbursements by Chattanooga			<u>(274,502)</u>	2007
Net debt service and other obligations			<u>\$ 200,791,246</u>	

* The interest rates on the 1996 and 1999 Loan Agreements are adjustable. Accordingly, interest expense for fiscal year 2004 and thereafter is not determinable.

Solid Waste Disposal

The Solid Waste Disposal Fund consists of the County's two transfer stations, a County wide-garbage collection service and the County's waste tire program. In FY 2002 the Solid Waste Disposal Fund was moved to the General Fund under Public Works.

SOLID WASTE DISPOSAL FUND



**Solid Waste Disposal Fund Budget Summary
Schedule of Revenue and Expenditures**

	Actual 2001	Actual 2002	Budget 2003	Projected 2003	Budget 2004
<u>Revenues</u>					
Intergovernmental	554,620	-	-	-	-
Landfill Services	497,195	-	-	-	-
Investment Earnings	1,966	-	-	-	-
Miscellaneous	3,858	-	-	-	-
Operating transfers from other funds	331,642	-	-	-	-
Total Operating Revenues	1,389,281				
<u>Expenditures</u>					
Spring Creek Station	529,758	-	-	-	-
Sequoyah Transfer Station	262,364	-	-	-	-
Garbage Collection	168,220	-	-	-	-
Waste Tire Program	423,708	-	-	-	-
Total Operating Expenses	1,384,050				
Operating Income (loss)	5,231				
Amortization of contributed capital	6,620				
Beginning Retained Earnings	(1,666,041)				
Ending Retained Earnings	(1,654,190)				

The Solid Waste Disposal Fund was moved into the General Fund in FY 2002. The negative retained earnings represents the accrued post-closure costs of the County landfill and was eliminated during the audit process by transferring the liability to the Long Term Debt Account Group.

Spring Creek Transfer Station/Garbage Collection – 7802

FUNCTION

Plan the operation and maintenance of Spring Creek Transfer Station.

PERFORMANCE GOALS AND OBJECTIVES

Operate and maintain a solid waste processing facility for the residents of Southeast Hamilton County.

PROGRAM COMMENTS

Spring Creek Transfer Station is located in East Ridge and processes solid waste primarily from the City of East Ridge. Estimated revenue is \$330,000 annually. Daily efforts are made to comply with current regulations of the Tennessee Division of Solid Waste Management.

Expenditures by type	Actual 2001	Actual 2002	Budget 2003	Budget 2004
Employee Compensation	\$ 57,568	\$ -	\$ -	\$ -
Employee Benefits	\$ 17,863	-	-	-
Operations	\$ 454,327	-	-	-
Total Expenditures	\$ 529,758	\$ -	\$ -	\$ -

Sequoyah Transfer Station/Garbage Collection – 7803

FUNCTION

Plan the operation and maintenance of Sequoyah Transfer Station.

PERFORMANCE GOALS AND OBJECTIVES

Operate and maintain a solid waste processing facility for the residents of Northeast Hamilton County.

PROGRAM COMMENTS

Sequoyah Transfer Station is located in Soddy Daisy and processes solid waste from the City of Soddy Daisy, private collectors and residents in the area. Estimated revenue is \$120,000 annually. Daily efforts are made to comply with current regulations of the Tennessee Division of Solid Waste Management.

Expenditures by type	Actual 2001	Actual 2002	Budget 2003	Budget 2004
Employee Compensation	\$ 47,269	\$ -	\$ -	\$ -
Employee Benefits	16,747	-	-	-
Operations	198,348	-	-	-
Total Expenditures	\$ 262,364	\$ -	\$ -	\$ -

Garbage Collection – 7804

FUNCTION

Plan the operation and collection of garbage county wide.

PERFORMANCE GOALS AND OBJECTIVES

Operate and maintain garbage service for county wide facilities.

PROGRAM COMMENTS

FY 03 budget this activity has been eliminated.

Expenditures by type	Actual 2001	Actual 2002	Budget 2003	Budget 2004
Employee Compensation	\$ 57,003	\$ -	\$ -	\$ -
Employee Benefits	17,778	-	-	-
Operations	93,439	-	-	-
Total Expenditures	\$ 168,220	\$ -	\$ -	\$ -

Waste Tire – 7805

FUNCTION

To provide end-use processing for Hamilton County's waste tire collection in conjunction with the State of Tennessee's Department of Environment and Conservation guidelines.

Expenditures by type	Actual 2001	Actual 2002	Budget 2003	Budget 2004
Operations	\$ 423,708	\$ -	\$ -	\$ -
Total Expenditures	\$ 423,708	\$ -	\$ -	\$ -